

SPAWAR GUIDELINES FOR PREPARATION AND SUBMISSION OF SBIR PHASE II PROPOSALS

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SECTION 1 – ELIGIBILITY AND LIMITATIONS

Only those companies that were awarded a Phase I contract and have been invited to submit a Phase II proposal by the SPAWAR SBIR Program Manager are eligible to submit a Phase II proposal. Phase II awards will be made to firms on the basis of the results of their Phase I effort and the scientific, technical, and commercial merit of the Phase II proposal. Navy Phase II awards are typically for a total of \$750,000 (\$600K basic and \$150K option) over a period generally not to exceed 24 months (subject to negotiation). The Navy reserves the right to make no award, one award, or more than one award in any topic.

Each proposing firm must:

1. Continue to qualify as a U.S. citizen (or lawfully admitted permanent resident alien) independently owned and operated small business qualified for research or research and development purposes, as defined in Section 2 of the most recent DoD solicitation and certify to this on the cover sheet of the proposal.
2. Perform a minimum of one-half of the research and development effort.
3. Be the primary employment of the Principal Investigator at the time of award and during the conduct of the proposed effort. Primary employment means that more than one-half of the Principal Investigator's time is spent with the small business.
4. Perform the research or research and development within the United States. "United States" means the fifty states, the Territories and possessions of the United States, the Commonwealth of Puerto Rico, and the Commonwealth of the Northern Mariana Islands, the Trust Territory of the Pacific Islands, and the District of Columbia.

Joint ventures and limited partnerships are permitted, provided that the entity created qualifies as a small business in accordance with the Small Business Act, 15 USC 638, and the definition in Section 2 of the most recent DoD Solicitation. The Phase I contract must have been awarded as a joint venture or partnership.

Note: The Contracting Officer along with the SPAWAR SBIR Program Manager must explicitly approve any deviation from these requirements in writing during negotiations.

SECTION 2 – PROPOSAL PREPARATION

A. GENERAL REQUIREMENTS

Each of the SBIR Program's three phases must be authorized under a separate contract; however, their periods of performance may overlap. Electronic submissions of SBIR Phase II proposals are required by the SPAWAR SBIR Program Office and must include a technical and cost proposal, Company Commercialization Report, and Transition Plan. Offerors should adhere to the following proposal preparation requirements:

1. The proposed effort should be based on further development of the technological innovation supported in Phase I, should stay within the scope of the solicitation topic, and should have high potential to provide new commercial products, processes, or services with benefits to the government and the private sector. In assessing the DoD market, offerors are encouraged to use various resources, including the free technical information services available from the Defense Technical Information Center (DTIC) and other information assistance organizations noted in Section 7 of the most recent DoD solicitation. First-time awardees should register as a Phase I contractor at DTIC to increase their access to DTIC's databases. The DTIC SBIR Services Internet link is <http://www.dtic.mil/dtic/sbir>.
2. An SBIR proposal to SPAWAR must provide sufficient information to persuade evaluators that it is worthy of support under the evaluation criteria stated in Section 4 below.
3. The proposal must be for a cost plus fixed fee (CPFF) type contract. At the time of award the contractor must have a job-order-based accounting system capable of accruing costs under a government CPFF contract. A list of Defense Contract Management Agency (DCMA) Districts East and West small business contacts is found at <http://www.dcmawest.com/index.htm> and <http://www.dcmawest.com/index.htm>, respectively.
4. Submissions to SPAWAR must comply with all relevant instructions contained in the most recent DoD solicitation (including those in the Navy section, in particular); e.g., markings required for proprietary and classified information, etc. Do not include proprietary information or classified information in the cover sheet and project summary.
5. Use 1-inch margins and a type size no smaller than 12 pitch or 11 point.
6. Limit your proposal to 40 pages including the option and cost proposal but excluding the Company Commercialization Report and Transition Plan (see paragraphs 2C, 2D, and 2E). All pages from the first through the last must be consecutively numbered.

Other guidelines in the most recent DoD SBIR solicitation applicable to Phase I are also applicable to Phase II; e.g., on-line (electronic) submission, deliverable/payment schedules, copyrights, patents, technical data rights, cost sharing, joint ventures (or limited partnerships), and contractor commitments.

B. TECHNICAL PROPOSAL

The technical proposal should consist of the following sections:

1. Completed Cover Sheet and Project Summary Form (pages 1 and 2). The on-line data entry forms are accessible from the Navy SBIR/STTR Internet Home Page (<http://www.onr.navy.mil/sbir> – select “Submission”). The abstract should include a brief description of the objectives and proposed approach. Anticipated benefits and commercial applications of the proposed effort should be summarized in the space provided. Data from cover sheets for proposals selected for award will be accessible to the public. Therefore, cover sheets must not contain proprietary or classified information.
2. Identification and Significance of Phase I Work (Begin this text on page three of your proposal). Summarize the proposed effort and its actual and/or anticipated results.
3. Phase II Technical Objectives. Enumerate the specific objectives of the Phase II work. Clearly distinguish between the objectives of the basic Phase II and those of the Phase II option.
4. Phase II Work Plan. This section should be the major portion of the technical proposal and propose an advancement over the Phase I results appropriate for Phase II. This section must include a proposed statement of work to delineate clearly and unambiguously what the offeror proposes to do for the basic effort and for the option(s).
 - a. The proposed statement of work should describe, in chronological order, each task to be performed. Each task description should include an explanation of the work to be performed; the product of the task (report, hardware, etc.); the roles (if any) of subcontractors and/or consultants; the use of materials, software, special equipment, special tooling, and the like in the performance of the task; the period of performance in days; the number of hours to be allocated to the task by the Principal Investigator and other principal personnel (by name); other personnel (by labor category); and subcontractors and/or consultants (by name).
 - b. Bidders should anticipate and plan opportunities for the government to augment the proposed level of effort. To facilitate such an expansion(s), consider proposing two six-to twelve-month second-year options up to \$100K, each. Any prerequisite for a concurrent and/or preceding task or option should be specified; e.g., Basic Task 2 and/or Options A and B must be completed before Option C and/or D is exercised (a flowchart would be helpful). Please note that the statement of work for an option may be overtaken by events during execution of the basic award, and the Contracts Officer may authorize proposed changes, if and when exercised, as long as the cost proposal remains valid.

- c. Submit at least one four- to six-month “bridge” option (up to \$100K, each). The bridge option is intended to initiate follow-on R&D for a specific transition (e.g., an aircraft carrier or missile application) during the Phase III planning and negotiation period; such interim funding would facilitate a new start for the Phase III at the beginning of the next fiscal year.
- d. Flowcharts may be used to clarify schedules, allocations of work hours, and the like.

As a minimum, a logical technical "milestone" should be scheduled toward the end of the first year in order to allow the government an opportunity to assess progress and to consider the exercise of a negotiated option(s).

- 5. Related Work. This section should demonstrate the offeror's awareness of the state-of-the-art and relevant concurrent efforts. Describe significant activities, including any conducted by the Principal Investigator, by the proposing firm, consultants, and others. Describe how these activities relate to the proposed effort and discuss any planned coordination with outside sources.
- 6. Relationship with Future Research or Research and Development. Describe the results and opportunities anticipated if the proposed approach is successful. Explain how the Phase II effort will provide a foundation for follow-on research and development.
- 7. Potential Post Research or Research and Development Applications. Describe potential naval, defense, government, and private sector applications of the anticipated results.
- 8. Key Personnel. Identify key personnel who will be involved in the Phase II effort including information on directly related education and experience. A concise resume of the Principal Investigator, including a list of relevant publications (if any), must be included. Clearly identify which personnel will perform on the basic effort and which will perform on the option.
- 9. Facilities/Equipment. Describe availability of special instrumentation and physical facilities necessary to carry out the Phase II effort. Items of equipment to be leased or purchased as detailed and priced in the cost proposal for the base award and option(s) must be justified under this section. Also state whether or not the facilities where the proposed work will be performed meet federal, state (name), and local government environmental laws and regulations for, but not limited to, the following groupings: airborne emissions, waterborne effluents, external radiation levels, outdoor noise, solid and bulk waste disposal practices, and handling and storage of toxic and hazardous materials.
- 10. Consultants/Subcontractors. Involvement of a university, consultant, or other subcontractor(s) may be appropriate. Describe here any proposed use of consultants and/or subcontractors priced in the cost proposal. Clearly identify the nature of work and level(s) of effort to be performed by consultants and/or subcontractors for the basic effort and/or option(s). Describe

their qualifications and provide resumes for key consultants and/or subcontractor personnel, as required.

11. Prior, Current, and/or Pending Support. Indicate on the cover sheet if the proposal is relevant to or substantially the same as that of any completed, ongoing, or pending proposal by the offeror and provide the following information in this section:

- a. Name and address of the federal agency(s) or DoD component to which the proposal was submitted, or will be submitted, or from which an award is expected or has been solicited.
- b. Date of award or date of proposal submission.
- c. Title of proposal.
- d. Name and title of Principal Investigator.
- e. Issuing agency, title, number and date of solicitation(s) under which the proposal was submitted.
- f. If an award was received, state the contract or grant number.
- g. Identify the topic number and title for each SBIR proposal submitted and award received.
- h. Attach available documentation of strong third-party interest (including specific funding commitments) - these attachments will be treated as proprietary if so marked.

Note: The proposal must indicate awardee's agreement to provide Phase III Transition Plan Status Reports as discussed below in Section 5.B. If there is no such effort, include the following statement in this section, "No prior, current or pending support for proposed work."

C. COST PROPOSAL

Standard Form SF 1411 is no longer required as a cost proposal cover sheet, whether or not the total price exceeds \$750,000; however a summary of the basic award and option costs may be helpful. A thoroughly itemized cost proposal can significantly reduce the amount of time required for contract negotiation. Separate cost proposals must be submitted for the Phase II basic effort and for each Phase II option. A data entry file is available at the Navy SBIR/STTR Internet Home Page Submission site. However this file may only allow details for a single option. If submitting your proposal electronically follow the format shown in Reference A of the most recent DoD solicitation to add a column for each option in the text of your technical proposal. If an item does not apply to the proposed effort, state, "Not Applicable." Sufficient information should be provided to allow SPAWAR to understand how the

offeror plans to use the requested funds if the contract is awarded. A monthly, bimonthly, or quarterly payment schedule may be proposed. The following paragraphs illustrate the level of cost detail that a Contracting Officer requires before beginning negotiations with an offeror. For proprietary reasons, subcontractors, consultants, or vendors may want to give you only bottom line quotes. In such cases, ask them to send detailed quotes to the government Contracting Officer, who will hold them in confidence. If the Phase I option has expired before the Phase II proposal was solicited, a stand-alone proposal for interim funding (up to \$30K) may be submitted to the requesting official – it must contain a simple technical proposal (subtask descriptions, personnel qualifications, and facility/equipment plans) with cost details.

- a. Offeror's Direct Labor. List all key personnel by name and other personnel by labor category; e.g., senior scientist. Specify the number of hours to be dedicated to the project and hourly costs for each.
- b. Consultants/Subcontractors. List consultants by name and specify, for each, the number of hours and hourly costs. Detailed quotes from subcontractors should be provided in the same format. Note that a subcontract entered into for performance of research or research and development differs from an arrangement with a vendor to provide a service such as machining, analysis with test equipment, use of computer time, and the like. The costs of such arrangements with vendors should be covered under Special Tooling, Testing, Test Equipment, and Material or Other Direct Costs. The subcontractor's cost proposals may be sealed or mailed directly for Government eyes only.
- c. Special Tooling, Testing, Test Equipment, and Material. The need for these items, if proposed, will be carefully reviewed. The offeror should provide competitive quotes to support the proposed costs or should justify why only one source is available. Competitive quotes may be signed quotes from vendors or copies of catalogue pages. Normally the costs of any equipment should be quoted on a purchase basis, unless the offeror can demonstrate that lease or rent of the equipment is clearly advantageous to the Government. The Contracting Officer will make the final determination.
- d. Travel Costs. Travel (i.e., airfares, car rental and per diem) must be justifiable in terms of the proposed effort. Specify how many people will travel to what places for how many days.
- e. General and Administrative (G&A). If applicable, include your G&A rate and its application base consistent with your approved accounting system.
- f. Facility Capital Cost of Money (FCCM). If applicable, include your FCCM rate(s) and its application base consistent with your approved accounting system.
- g. Fixed Fee/Profit. If applicable, include the proposed fixed fee/profit.
- h. In order to facilitate the Government's evaluation of your cost proposal. - You may provide the following information:

- If you have an approved accounting system and a Government auditor has reviewed your indirect costs, provide the name, address, and telephone number of that auditor.
- If your accounting system has not been approved by the Government auditor, please provide:
 - Description of your accounting system
 - Method you used to compute your indirect costs. (Include the details of indirect cost pools and the base against which they are applied as summarized above.)

D. COMPANY COMMERCIALIZATION REPORT

All SBIR and STTR proposals must be accompanied by an on-line report that summarizes the “value” of all prior SBIR and STTR awards to the offeror. Provide the required data for each prior Phase II award; e.g., name of the awarding agency, solicitation topic number, and cumulative revenue (award amounts) for both follow-on R&D and sales of products and services to:

- Department of Defense (directly under a contract and/or indirectly under a subcontract to a prime contractor)
- Other government agencies, and/or
- Private sector.

A relevant success story (ies), which resulted directly from a Phase I award or non-SBIR/STTR award, may be summarized briefly and submitted separately.

E. TRANSITION (COMMERCIALIZATION/MARKETING) PLAN

In a brief (2-page) unclassified, non-proprietary summary, appropriate for public release, indicate your strategy for rapidly moving the technology to widespread commercial use including military, government and/or private sector markets. Answer the following questions: What is the first product that this technology will go into? Who will be your customers? How much money will you need to bring the technology to market, and how will you raise the money? Does your company contain marketing expertise and, if not, how do you intend to bring that expertise into the company? Why are the price and/or quality of your product/services better than competitors? Identify primary individuals, DoD components, and private sector companies that have been and/or will be informed of progress in these efforts. Describe marketing tasks to be conducted over the basic two-year Phase II performance period and indicate milestones. (Progress in fulfilling these Transition Plans will provide one basis for exercising the Phase II option.)

SECTION 3 – PROPOSAL SUBMISSION

The Phase II proposal must be submitted in its entirety to the Navy SBIR/STTR Home Page, <http://www.onr.navy.mil/sbir>. One (1) hard copy of the electronically submitted proposal should be submitted to the SPAWAR SBIR Program Office. The cover sheets showing the solicitation topic number and proposal (assigned tracking) number should be signed by the Principal Investigator and Corporate Official. The cost proposal should be signed by the Corporate Official and included with the hard copy proposal sent to the SPAWAR SBIR Program Office.

Note: Each package should be marked: SBIR PHASE II PROPOSAL (DoD solicitation TOPIC NXX-XXX). If the proposal is not for a Navy topic, the proper acronym for the soliciting agency may be substituted for the “N”; e.g., “A” for Army, “F” for Air Force, etc.

MAILING ADDRESS (for regular mail, express mail, and hand carried deliveries):

Commander, Space and Naval Warfare Systems Command
4301 Pacific Highway, Bldg. OT3, Room 2056
Attn: SPAWAR 05SBIR (L. Whittington) **SBIR Topic NXX-XXX**
San Diego, CA 92110-3127

Note: Please notify the SPAWAR SBIR Program Office prior to hand delivering proposals to assure access to the SPAWAR compound.

SECTION 4 – METHOD OF SELECTION AND EVALUATION CRITERIA

Phase II proposals will be evaluated by knowledgeable government scientists or engineers (unless specified otherwise in the request for the proposal). Decisions will be made based on the scientific and technical evaluations and other factors, such as a commitment for Phase III follow-on funding, the possible duplication with other research or research and development, program balance, budget limitations and the potential of the Phase II effort leading to a product of continuing interest to DoD. Across DoD, the median time between receipt of the Phase II proposal and the award of a contract is 6.5 months.

A. SELECTION PROCESS

1. Every effort will be made to protect information designated as proprietary in the proposals.
2. The Company Commercialization Report and Transition Plan are not considered to be part of the technical proposal with respect to the 40-page limit; and they must be acceptable to the government if a contract is to be awarded. Transition Plans that provide evidence of a commitment for follow-on funding may receive extra consideration during the selection process. Such evidence should specify the amount of Phase II and/or III funds that will be made available to the small business and by whom.
3. Phase II proposal evaluations may include on-site evaluations of the Phase I effort by government personnel.
4. Where technical evaluations of Phase II proposals are essentially equal in score, cost to the government will be considered in determining the successful offeror(s).
5. Any proposal not selected for support within 6 months of submission is considered to be rejected; however, you may be asked to resubmit your proposal at any time during the Phase I data rights period. In such cases, the proposal should be updated, as required.
6. The SPAWAR selection process requires that all Phase II candidates give a presentation to the SBIR Advisory Panel. The panel consists of a representative from each of the technology areas within the SPAWAR Program Executive Office (PEO) and a representative of the SPAWAR Chief Engineer. Guidance on what should be included in the presentation will be provided.

B. EVALUATION CRITERIA

The basic Phase II proposal will be reviewed for overall merit based on the criteria presented below with the first two criteria having equal weights, the sum of which is greater than that of the other two. The proposed Phase II option will be separately evaluated in the same manner.

1. The soundness, technical merit, and innovation of the proposed approach and its incremental progress toward topic or subtopic solution.

2. The qualifications of the proposed principal/key investigators, supporting staff, and consultants. Qualifications include not only the ability to perform the research and development but also the ability to commercialize the results.
3. The potential for commercial (Government or private sector) application and the benefits expected to accrue from this commercialization. A proposal's commercial potential will be assessed using the following criteria:
 - a. The commercialization strategy (see Sections 3.4h and 3.6 of the most recent DoD solicitation) and, as discussed in that strategy: (i) any commitments of additional investment in the technology during Phase II from the private sector, DoD prime contractors, non-SBIR/STTR DoD programs, or other sources, and (ii) any Phase III follow-on funding commitments; and
 - b. The record of commercializing its prior SBIR and STTR projects, as shown in its Company Commercialization Report (see Section 3.4n of the most recent DoD solicitation). If the "Commercialization Achievement Index" shown on the first page of the report is at the 5th percentile or below, the proposer will receive no more than half of the evaluation points available under this evaluation criterion (potential for commercialization) unless the Navy SBIR Program Manager recommends, in writing, that an exception be made for that proposer, and the Contracting Officer approves the exception. A Company Commercialization Report showing that the proposing firm has no prior Phase II awards will not affect the firm's ability to win an award. Such a firm's proposal will be evaluated for commercial potential based on its commercialization strategy in item B.3.a, above.

Evidence of a commitment for follow-on funding should specify the amount of Phase II and/or III funds that will be made available to the small business and by whom, as well as a deadline for achieving certain technical objectives, which, if achieved in Phase II, will precipitate such a transaction. Such terms cannot be contingent upon the issuance of a patent due to the time required for this process. Benefits to SPAWAR are considered to be possible reductions of total ownership costs of a naval or defense system or subsystem.

SECTION 5 – CONTRACTUAL CONSIDERATIONS

All clauses of the applicable DoD SBIR Program Solicitation also apply (e.g., reports, copyrights, technical data rights, contractor commitments, etc.)

A. PHASE II BASIC AWARDS

An appropriate contract must be drawn up by a Government Contracting Officer and signed by both parties before any work is authorized and any work begins for proposals that have been selected for support. Any negotiations that may be necessary will be conducted between the offeror and the Government Contracting Officer. SPAWAR Phase II awards are usually CPFF, and they are usually funded incrementally. Each Phase II proposal selected for an award may include a fee or profit unless “cost-shared” by the firm.

B. PHASE II OPTION (S)

A Phase II Enhancement option may be exercised as justified pending the availability of funds. The Phase II Bridge option may be awarded if the contractor has accomplished its Phase II objectives, the firm followed its Phase II Transition Plan, and/or a commitment of funds for commercialization of the technology has been received. The Government has no obligation to exercise a negotiated Phase II option. The Statement of Work for the option may be revised only if the negotiated costs remain valid. An option may be incrementally funded.

C. STATUS REPORTS

Exercise of the Phase II option depends on progress toward commercialization. Consequently, Phase II awardees must agree to update their Transition Plans each year during the execution of the Phase II award and for five years thereafter. One- to two-page updates should be sent to the SPAWAR SBIR Program Office and a copy to the Office of Naval Research; ATTN: Navy SBIR Program Manager, ONR 364; 800 North Quincy Street; Arlington, VA 22217-5660. Indicate the levels of effort and funding required for each Phase III, Phase II progress briefing attendees, and financial commitments. Provide information detailing sources and amounts of non-SBIR funding used and/or required for follow-on R&D and sales of new products resulting from the research project. Such information is extremely valuable for assessing the firm’s potential for success and, to some extent, the impact of the SBIR Program.

D. PHASE III AWARDS

Follow-on R&D (Phase III commercialization) cannot be funded by the SBIR Program. However, each award should be summarized on line by submission to the Navy SBIR/STTR Internet Home Page (select “Submission” or “Success Stories”). The SPAWAR SBIR Program Manager as well as the technical point of contact should be able to assist you in acquiring non-SBIR funds, as required. Please notify them of any Phase III award(s); i.e., the associated contract number and amount (\$). Phase IIIs supported by an acquisition program awarded within the two-year Phase II period of performance may be justify matching funds for expanding the Phase II (1:4 up to an additional \$250K).

E. TRANSFER OF TITLE TO CONTRACTOR ACQUIRED PROPERTY

Upon authorization, immediately or two years after the Phase I, II, or III (if funded), certain specific contractor acquired property may be transferred to the small business. The Administrative Contracting Officer and its designated Property Administrator will follow established procedures in disposing or transferring (to a gaining contract) of government property that the Government retains title in consultation with the Procurement Contracting Officer.

F. ACKNOWLEDGMENT

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